Thoughts on Vermont
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Lessons learned from the PA experience / essential items needed for success:

Overarching Lessons Learned

- PA provided a robust learning laboratory of what works and doesn't work. It was far from perfect, but it was successful in achieving its overarching objectives of:
    - improving the sustainability of rural hospitals as evidenced by improved operating margins through its first 4 years.
    - Improving the health of populations served as evidenced by the state-wide measures through the first 4 years.
    - Managing overall TCOC as evidenced by being within the TCOC growth rates as established for the program through its first 4 years.
- The Medicare global budget payment model with bi-weekly payments and prospective budgets provided more stability than the virtual cap.
- While global budgets were hugely beneficial, as part of the evolution we need to ensure that we are preserving the right care for rural communities.
- The global budget with the transformation plan continues to be two required and equal elements to achieve success.
- Hospitals benefit within the program can be directly tied to the % of revenue and payer participation included in the global budget, as well as the length of time within the program.

Methodology Lesson's Learned

- Methodology as developed should incentivize the desired behaviors but these need to be defined (e.g., Do we know what "access" means and to what? What does "affordability" mean?)
- Most of the hospitals were fully engaged on the population health journey and embraced it. All were supportive of the transformation journey as evidenced by the plans drafted and the commitment to the program even through the pandemic.
- Given no additional funding was provided for transformation and SDoH infrastructure, the transformation journey didn't fully materialize as many of our hospitals are still operating in the red. All the benefits of the GB were used to fund operations versus population health infrastructure.
- While the program improved the operating margins, the current program will not yield the desired level of sustainability given no consideration for cost structures or significant inflationary factors.
- The methodology ended up being complicated and difficult for both hospitals and payers to understand, even in the later years of the program.
- Next generation solutions should consider the hospitals cost structure to be successful long-term through the lens of preserving access to care once defined.

- No real benefit to the CAHs that joined from a strictly Medicare perspective as they were still in cost-based reimbursement which limited the benefit of the program. PPS hospitals realized significant benefit within the methodology as developed.
- Many of these lessons learned as shared informed AHEAD and can be seen within it.

Essential Elements for success in a Voluntary Program

- Aligned objectives (goals) for stakeholders that collectively identify what the work is designed to achieve, (e.g., can everyone articulate the goals), and defining how you will know when you get achieve them.
- Design the program based on the objectives, not the other way around.
- Ensure there is a value statement (proposition) for every stakeholder on the journey. That is the only way a long-term sustainable solution will be achieved is if there is a "win-win" for parties at the table.
- Establish effective communication, data, and resource infrastructure.
- Ensure monitoring for unintended consequences, both good and bad.

Questions Posed:

Question: What considerations do you think are most important for advancing health care reform in rural states that struggle with sufficient access to care? **Answer:** Having a clear understanding of the care you are trying to preserve. In rural communities, it is hard to preserve everything, so defining the most important things will be important.

Question: Given limited attention and resources, where do you think states can get the biggest bang for their buck when trying to facilitate more affordable high-quality accessible care (particularly in states that are more rural)? **Answer:** Primary care, leveraging technology to the fullest, ensuring clinical staff are working at the maximum scope of licensure, etc., all in an effort to reduce the exasperation of cost associated with chronic conditions long term. Mobile strategies that allow for patients to be treated outside of the emergency room. All this needs to be balanced with ensuring hospitals are sustainable within reasonable cost structures to continue to provide the services that only they can provide. Care transformation should be done at the community level with input from the local community.

Question: As with any large systems change, there are inherent risks (and limited resources); what risks do you think Vermont should pay most attention to as Vermont moves forward in its health care reform efforts? **Answers:** Presuming that the solution as offered will provide the desired outcome; true change takes years to achieve, and based on conversations held with folks to date, there is a bit of change fatigue that Vermont healthcare organizations are experiencing; There isn't a silver bullet, this work is really, really, hard and takes tenacity and perseverance; Ensuring there are clear definitions of what success looks like, and how the desired path forward will help you achieve them.

Question: What other policies/investments do you think need to be coupled with payment reform activities to ensure success (high-quality affordable and accessible care for all)? **Answers:** Ensuring there is adequate mental health / SUD infrastructure as hospitals are bound by EMTLA. A new payment methodology does not absolve hospitals of the responsibilities they have to treat when patients present

at their institutions; EMS reform and other payment / policy changes to allow for alternative types of care such as mobile strategies, in-home care provision, etc.; Clearly articulating the role of the hospital in a new payment paradigm given the role they have historically played within the healthcare continuum.

Question: In your opinion, what are the strengths and weaknesses (and/or conditional value) of capitated budgets versus other mechanisms for price control (FFS rate setting, reference based pricing, or other)?

Answers:

- Budgets provide predictable revenue that should allow the leader to make operational adjustments**.**
- If developed appropriately, the budget should incentivize and support the provision of services and behaviors deemed appropriate for the community, versus chasing volume for services not essential but that pay well**.**
- Budgets are new, and unknown, and therefore perceived to have new risk. However, current FFS is already very risky.
- Any system that does not take into consideration the hospitals' cost of providing services is doomed to fail long term.
    - Rate setting – success will be determined by the basis of the rates. It could be successful if the right factors are used to establish the rates (e.g., costs of care provision is taken into consideration)
    - Reference based pricing – doesn't consider the cost of care provision. Medicare rates generally do not cover the cost of providing care.